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UNCLAS SECTION 01 OF 02 LAGOS 000672

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E.O. 12958, PGOV N/A
TAGS: EAGR ETRD NI
SUBJECT: IMPORT POLICY CHANGES FALL SHORT OF COMMITMENTS

¶1. SUMMARY: The Government of Nigeria (GON) introduced a number of modest import policy changes in attempt to improve its trade policy regime. These include: partial implementation of the Economic Community of West African States' (ECOWAS) Common External Tariffs (CET), re-introduction of Destination Inspection to replace Pre-shipment Inspection and the privatization of port operations. Barely two months into the implementation, importers are complaining of long delays in clearing their goods. End Summary

¶2. In November 2005, Nigeria began partial implementation of the Economic Community of West African States' (ECOWAS) Common External Tariffs (CET) as an aspect of its overall regional integration efforts. The ECOWAS CET, agreed to in 2000 by member countries, seeks to harmonize and rationalize tariffs among member countries. By adopting the CET, Nigeria has moved to align its tariffs with those of other ECOWAS member states and reduced tariff bands from twenty to five. The five tariff bands are zero duty on capital goods, machinery, and medicines such as anti-retroviral drugs and other medicines not produced in the country; 5 percent on imported raw materials; 10 percent on intermediate goods; 20 percent on finished goods; and 50 percent duty on goods in industries that the GON wants to protect. To protect infant industries, the GON added the additional tariff band of 50 percent as a protective measure for manufacturers of finished consumer products particularly value-added agricultural products.

Agreement Compliance

¶3. Despite being a long-standing member of the WTO, Nigeria continues to maintain import bans on a range of products especially value-added agricultural products. The pace of liberalization has been slow because several politically influential actors in the agricultural consumer products arena continue to fiercely oppose outside competition.

¶4. Despite of the ECOWAS CET, several food and agricultural products are banned, while others face significantly high duties. Banned items include: Wheat flour, sorghum, vegetable oil, poultry products, pork products, beef products, mutton, lamb, and goat meat, biscuits, noodles (including spaghetti), fruit juice in retail packs, millet, fresh fruit, etc. Products, such as rice, wines and tobacco are subject to high levels of protection from international competition.

¶5. Excellent market opportunities exist for U.S. products such as poultry, vegetable oil, corn, and high value food products. However, import bans and high tariffs constrain significant trade in those sectors.

¶6. Nigeria's high tariffs and import bans, moreover, comes at the expense of Nigerian consumers and economic activity. High duties create incentives for tariff avoidance, under-invoicing and smuggling. For instance, because rice imports to Benin Republic attract only 35 percent duty (about $200 per ton price advantage over imports through Nigerian ports), Nigerian importers and their sea bound shipments to Benin, then smuggle them overland into Nigeria.

Reforming The Ports

¶7. Nigeria past operation has been slow, disorganized and expensive. The lack of quality port management has hampered both exportation and importation. Effective January 1, 2006, the GON abolished its pre-shipment inspection scheme and instead introduced Destination Inspection Scheme (DI) to streamline import procedures. However, importers complain the new scheme has and significantly improved the system. Lack of transparency and arbitrary customs procedures

continues to cause delays. For example, importers complain it often takes approximately 30-60 days for containerized shipments to clear customs, costing high demurrage charges.

¶8. Under the new scheme, goods destined for Nigeria's ports are inspected at the point of entry rather than at the point of shipment, which was prior practice. The GON gave a grace period up to March 30, 2006 to allow all import transactions concluded in 2005 to clear customs under the old system. The Nigeria Customs Service (NCS) is responsible for implementing the new scheme. The Central Bank of Nigeria (CBN), in a circular (TED/AD/150/2005) dated December 28, 2005, stated the Government had entered into agreements with three scanning companies to manage. These companies would scan all containers for the purpose of proper valuation of imports for duty payment. The details of each service provider together with the designated zones are outlined below:

Authorized Service Providers

COTECNA INSPECTION LIMITED
10, Engineering Close
Off Idowu Taylor Street
Victoria Island
Lagos
Tel: 234-1-4617121/3
Fax: 234-1-4617124
E-mail: info@cotecna.com
Contact: Contract Manager
ZONE: Apapa and Tin Can Seaports, Kano and Abuja Airports, Jibiya and Banki Posts.

SOCIETY GENERALE DU SURVEILLANCE (SGS)
Plot 999C, Danmole Street
Intercontinental Plaza, 4th Floor
Victoria Island
Lagos
Tel: 234-1-2623042
Fax: 234-1-2622976
E-mail: Philip-bank@sgs.com
Contact: Contract Manager
ZONE: Onne and Port-Harcourt Seaports: Port-Harcourt Airport and Idiroko border post.

GLOBALSCAN SYSTEM LIMITED
5B, Oko-Awo Close
Off Adetokumbo Ademola Street
Victoria Island
Lagos
Tel: 234-1-2625392
Fax: 234-1-2624542
E-mail: globalscansystem@yahoo.com
Contact: Managing Director
ZONE: Warri and Calabar Seaports; Ikeja Airport and Seme Border Post

¶9. The CBN further stated that, Form 'M' submission and processing shall be based on the Port of Destination as outlined above. According to the CBN, importation shall remain restricted to only the ports listed above.

Port Concessions

¶10. As a part of the government's privatization program, the Nigeria Ports Authority has commenced the implementation of its port concession policy. Under the policy, the GON still owns the ports but the private sector operators manage port operations. The Nigeria Ports Authority selectively engages private operators in areas where it does not wish to operate. Under this arrangement, the private terminal operators are responsible for the loading and off loading cargo, while the NPA will continue to perform marine services, provide common user facilities and technical oversight functions.

¶11. COMMENT: Given the high number of outstanding Trade and investment issues and the partial efforts by GON towards regional economic integration, we may need to reinvigorate the bilateral dialogue on trade and investment. The most appropriate venue would likely be the U.S. Nigeria Trade and Investment Framework Agreement (TIFA) mechanism.

Browne